

13 December 2024

COALITION OF MINORITY SHAREHOLDERS IN DIA, LED BY WESTERN GATE, WRITE LETTER TO BOARD OF DIRECTORS REQUESTING URGENT CHANGES AT DIA

- The Coalition is demanding immediate action from DIA's Board, calling out years of being repeatedly ignored
- The letter has been signed by 37 minority shareholders who support the campaign
- They are demanding better representation, transparency, and a more inclusive decision-making process at DIA
- More information on the Coalition and its aims is available here: www.valuingdia.com

LONDON – (BUSINESS WIRE) -- Members of the Coalition ("Coalition"), which is comprised of fifty minority shareholders in Distribuidora Internacional de Alimentación, S.A. ("DIA" or the "Company"), sent a letter to DIA's Board of Directors on Wednesday 11 December outlining the urgent need for changes at DIA.

This Coalition notes the financing agreement, reverse stock split, and Investor Day, announced on Wednesday 11 December. Whilst this announcement is a positive first step, the Coalition still has fundamental concerns about DIA's significant undervaluation relative to its peers and it continues to campaign for change at DIA.

The full text of the letter is below:

Dear Members of the Board,

Subject: Urgent Need for Strategic Changes at DIA

For a few years now, Western Gate –as the largest minority shareholder of Distribuidora Internacional de Alimentación, S.A. ("DIA")– has been advocating for the enhancement of minority shareholder interests, the promotion of board independence and the diversification of the Board's skill matrix. DIA's Board has shown no real interest on any of these topics.

Shareholder reaction at DIA's last GSM was a token to this sentiment which was shared by a number of minority shareholders, not only those who appeared and exercised their right to speak at the meeting, but also those who informally shared their views with us at the meeting and thereafter.

The level of shareholder alignment with our concerns was overwhelming and motivated us to take action. As you will be aware, in the last few weeks, a coalition of DIA's minority shareholders has formed as a reaction to the poor market performance of DIA's shares, as well as to the lack of transparency and engagement of DIA's Board of Directors. The relevant information is uploaded to <https://valuingdia.com/> where 50 shareholders have joined as at the date of this letter. In addition, a meeting was held in Madrid on 21 November 2024 where 16 people attended both in person and online to share their views about DIA's future. Of course, each member of the Coalition is at liberty to exercise its shareholders rights as he sees fit, but it is our common vision of the challenges facing DIA, as well as our full alignment with DIA's corporate interest, that brings us together.

Our concerns are based on thorough analysis and are grouped into three main areas: (i) lack of Board expertise, (ii) lack of engagement with the market, and (iii) short liquidity.

Lack of Board Expertise

The current composition of DIA's Board of Directors lacks necessary business expertise, particularly in the food retail sector. The Board is chaired by a representative from LetterOne, the largest shareholder, and only two members have experience in retail. Furthermore, no Board member has worked in the food retail sector for more than 10 years, and none have experience in proximity food retail in Europe, which is DIA's principal business model. This lack of relevant expertise is a significant impediment to effective governance and strategic decision-making.

Lack of Engagement with the Market

DIA's Board has not effectively communicated the company's turnaround to the market, resulting in a lack of recognition of its potential. Despite operational improvements and better-than-expected financial results, there has been poor communication with investors and analysts, leading to a depressed share price. The lack of a clear investor

relations strategy has created uncertainty and speculation, which is detrimental to DIA's market perception. This issue is further exacerbated by the absence of mid-term financial targets and low visibility on the impact of changes in the asset perimeter on the compensation plan.

Limited Liquidity

The limited liquidity of DIA's stock prevents it from reflecting its true value. The valuation gap between DIA and its listed peers presents an opportunity for the company and its stakeholders to realise value. However, the current liquidity constraints hinder this potential. We have highlighted the need for measures to improve stock liquidity, such as encouraging LetterOne to sell some shares to the market, as it was put forward by DIA's IR team in the past, and/or implementing a reverse stock split. These steps are essential to ensure that the stock price accurately reflects the company's value. And not only that; as has been suggested by recent studies, higher trading volume, frequency and market capitalization have positive effects on stock returns. Therefore, by doing nothing in this respect, the Board is neglecting its most basic duty, which is to act in the best interest of its shareholders.

In light of these concerns, we urge the Board yet again to take immediate action to address these issues. Specifically, we recommend the following:

- Appoint a minority shareholder representative to the Board with relevant and recent sector experience to ensure that all shareholders' interests are represented.
- Redesign the economic incentives of the executive management team so that they are fully aligned to deliver growth and shareholder value.
- Develop and present a strategic plan with medium-term targets that highlight the growth opportunity of DIA's stock.
- Undertake a comprehensive investor relations and marketing program to better promote DIA within the investment community.
- Encourage DIA to take action to increase liquidity of the stock, by LetterOne gradually reducing its stake and/or carrying out a reverse stock split or any other non-dilutive measure that the Board may consider.

We believe that these steps are crucial for closing the gap between DIA's value and its current share price and for restoring DIA to its former glory as a Spanish champion. Please note that a copy of this letter will be uploaded to the Coalition's web page and disseminated among the specialised media in due course.

We look forward to your prompt attention to these matters and are available to discuss these recommendations further at your earliest convenience.

Yours sincerely,

Francisco Santos
Director
Western Gate Private Investments Limited

also on behalf of DIA's shareholders.

ENDS

Notes to editors:

About Western Gate

Western Gate Private Investments Limited is an investment branch belonging to the Family Office of Luis Amaral and invests in private and listed companies principally in the retail and consumer goods sector.

About the Coalition

The Coalition, led by Western Gate, is a group of independent shareholders, without any commitments on how to vote, who are seriously concerned about DIA's languishing share price and a lack of action from DIA's Board to address the fact that the Company is woefully undervalued vs. its peers. The Coalition is calling for the Board to act in the interests of all stakeholders and not just the majority shareholder by taking steps to better engage with the market and appoint an independent Board member with expertise directly relevant to DIA's business model, to represent minority shareholders.

Media enquiries

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